

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-09 NEA-10 ERDA-07 FEA-01 AID-05

CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-15 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5938

INFO AMEMBASSY CAIRO

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY PARIS

AMEMBASSY TOKYO

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS NEW DELHI 7128

DEPT PLEASE PASS USGS, USBURMINES, ERDA

E.O. 11652: N/A

TAGS: ENRG IN

SUBJECT: INDIA BIDS TO STEP UP COAL EXPORTS

1. FACED WITH SURPLUS STOCKS OF COAL THE GOI HAS MOUNTED A MAJOR
EXPORT DRIVE TO REDUCE THE PRESENT GLUT AND TO CAPITALIZE ON THE WORL
D

ENERGY CRISIS WHICH HAS PLACED A PREMIUM ON COAL AS A SUBSTITUTE
FOR OIL. ACCORDING TO GOI'S MINISTER FOR ENERGY, K C PANT'S STATEMENT
IN PARLIAMENT, INDIA PLANS TO EXPORT 1.4 MILLION METRIC TONS (MT) OF
COAL DURING IFY 1976/77, COMPARED TO 450,000 MT IN IFY 1975/76.

CURRENT EXPORT PROJECTIONS ARE 5 MILLION MT BY THE END OF THE

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PRESENT PLAN PERIOD (1978/79).

2. GOI OFFICIALS HAVE INDICATED THAT CURRENT PITHEAD COAL STOCKS HAVE REACHED RECORD LEVELS OF ABOUT 12 MILLION MT, ALL NON-COKING, RESULTING IN AN ESTIMATED 8 MILLION MT OF EXPORTABLE SURPLUS. LIKEWISE, IF THE GOI MANAGES TO REACH ITS PRODUCTION TARGET OF 108 MILLION MT SET FOR IFY 1976/77, AND WE SEE NO APPARENT REASON IT CANNOT BE ACHIEVED CONSIDERING THE INCREASED EMPHASIS BEING PLACED ON THE MECHANIZATION OF INDIAN COAL MINES, THE GOI SHOULD CONTINUE TO HAVE AVAILABLE AMPLE COAL FOR EXPORT. SOME OF THE COAL SURPLUS RESULTED FROM INDIA EXCEEDING ITS GOAL OF 98 MILLION MT BY NEARLY TWO PERCENT LAST YEAR, BUT MORE PARTICULARLY BECAUSE OF THE DELAYS IN COMMISSIONING OF NEW COAL BASED INDUSTRIAL UNITS.

3. AN INDIAN TRADE DELEGATION, WHICH RECENTLY VISITED SOME OF THE EUROPEAN COMMON MARKET COUNTRIES IN SEARCH OF POSSIBLE MARKETS FOR INDIAN COAL, SUCCEEDED IN LANDING ORDERS FROM BELGIUM, HOLLAND AND FRANCE. ALTHOUGH THE TOTAL SHIPMENT TO WESTERN EUROPE IS NOT KNOWN AT THIS JUNCTURE, COAL EXPORTS AT THE RATE OF ABOUT 60,000 MT PER MONTH ARE EXPECTED TO BEGIN IN JULY AND EXTEND THROUGH DECEMBER OF THIS YEAR. WHILE THE ORDERS ARE PRIMARILY FOR NON-COKING COAL, WE UNDERSTAND SOME MEDIUM GRADE COKING COAL IS ALSO TO BE SUPPLIED, PERHAPS AS A "TRADE OPENER". JAPAN HAS ALSO SHOWN INTEREST IN INDIA'S COAL AND ACCORDING TO THE LATEST PRESS REPORTS IT HAS SO FAR PLACED ORDERS FOR 200,000 MT TO BE DELIVERED THIS YEAR. A TRADE DELEGATION FROM INDIA IS ALSO CURRENTLY SEEKING A POSSIBLE MARKET FOR COAL IN EGYPT. LAST YEAR'S EXPORTS WENT TO BANGLADESH, BURMA AND NEPAL AND IN VIEW OF THEIR PROXIMITY WE EXPECT THAT THESE COUNTRIES WILL CONTINUE TO BE PRIME CONSUMERS OF INDIAN COAL.

4. PORT FACILITIES AT PARADEEP, HALDIA AND CALCUTTA ARE EXPECTED TO BE UTILIZING FOR THESE COAL EXPORTS. OF THE TOTAL PROJECTED EXPORT OF 1.4 MILLION MT, ABOUT 0.4 MILLION IS TO BE SHIPPED FROM PARADEEP WHICH HAS A PRESENT LOADING CAPACITY OF ONLY 2,500 MT PER DAY. THE REMAINDER OF THE EXPORTS ARE TO BE DIVIDED BETWEEN HALDIA AND CALCUTTA. CALCUTTA'S CAPACITY IS ALSO LIMITED TO A DAILY LOADING RATE OF ABOUT 2,000 MT. COAL HANDLING FACILITIES NOW BEING INSTALLED AT HALDIA PORT ARE NOT EXPECTED TO BE COMMISSIONED BEFORE EARLY NEXT YEAR. THESE

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FACILITIES WILL RAISE THE PORT'S EXPORT CAPACITY TO ABOUT 3 MILLION MT PER ANNUM, BUT WILL DEPEND PRIMARILY ON INDIA RECEIVING SIZEABLE EXPORT ORDERS IN ADVANCE.

COMMENT: THE LACK OF ADEQUATE COAL HANDLING FACILITIES CONTINUE TO POSE MAJOR CONSTRAINTS TO INCREASING EXPORTS. HOWEVER, THIS YEAR'S TARGET SHOULD BE MET WITH EXISTING PORT FACILITIES AND SHOULD THE HALDIA PORT EXPANSION, WHICH HAS ALREADY BEEN

DELAYED, BE COMMISSIONED NEXT YEAR, THE XPORT OUTLOOK IS
EVEN BRIGHTER. THERE APPEARS TO BE A CONCERTED GOI EFFORT
TO MARKET COAL INTERNATIONALLY. ONE REASON NO DOUBT IS TO REMOVE
THE LARGER PITHEAD STOCKPILE IN ORDER TO MEET THIS YEAR'S
TARGET. ALTHOUGH INDIA'S COAL IS HIGH IN ASH, THE LOW SULFUR
CONTENT SHOULD HELP TO ATTRACT BUYERS FROM EUROPEAN COUNTRIES
WHICH HAVE BECOME POLLUTION CONSCIOUS.SAXBE

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